

Washington, DC – Today, Congressman Joe Sestak (PA-07) voted to report H.R. 3200, the American Affordable Health Choice's Act (AAHCA) out of the Education and Labor Committee. The bill, which passed out of committee by the vote of 26 – 22, would ensure affordable health coverage to millions of uninsured Americans, institute market reforms to make health insurance more competitive and more affordable for individuals and small businesses. The bill now awaits action by the House Energy and Commerce Committee.

During the hearing, Congressman Sestak laid out a case for reform: “Doing nothing is not an option. If we do not immediately address the healthcare crisis, by 2019, America will be spending one fifth of its GDP on health care. In Pennsylvania, from 2001-2007, health insurance premiums increased 86% while wages have increased only 13%. All the while, more Americans became uninsured, increasing their risks of medical bankruptcy and lowering their quality of life.”

“Because of the fractured system we have today, many Americans do not get the care they need and our economy pays the price. In addition, every individual's health insurance premiums are more than \$400 more expensive because of uncompensated care for the uninsured. Over \$100 billion dollars of productivity is lost every year just due to illness and premature death among the uninsured. We cannot stand another ten years of inaction. I am proud to support this historic effort to bring about affordable health care for all Americans, a goal that is not only morally right but also economically sound.”

AAHCA allows individuals to keep the private insurance they have now, while also establishing a new Health Insurance Exchange of additional private plans. The Exchange will create a transparent and functional marketplace for individuals and small employers to purchase insurance plans, one where all small businesses can benefit from the lower premiums larger employers currently enjoy. Among the many private insurance options, the Exchange will also include a public health insurance option – sustained only by premiums and co-payments of those in the option – that will utilize its lower administrative costs (e.g. its not-for-profit status and lack of CEO salary) to increase competition in the insurance industry -- while operating on a level playing field, and being subject to the same requirements as any other plan in the Exchange.

“Competition and transparency in our health care system will best discipline -- and in time drive down -- costs, and a public plan is an important part of meeting both those goals,” said the Congressman. “I firmly believe that the creation of the Health Insurance Exchange, with the

inclusion of a public plan that operates under the same regulations of private insurance options, will provide Americans with the affordable, quality choices that they deserve.”

AAHCA establishes coverage as a shared responsibility between individuals, employers, and the government, a concept long touted by the Congressman. Taken together, these provisions bring individuals into the system and cover them upfront, instead of providing inconsistent, incomplete and more costly care through emergency rooms and other acute means – which will ultimately lower costs for everyone. The bill mandates that individuals purchase insurance with limited exceptions. Government would be responsible for ensuring that every American has access to quality health insurance by providing subsidies to qualifying low- and middle-income families and expanding Medicaid so more individuals in poverty can participate in the program. Businesses are mandated to provide health coverage for all their employees – i.e. to “pay or play,” that is, either providing employees with health insurance, or paying a penalty that would help individuals purchase insurance in the Exchange.

The bill, however, takes steps to aid small businesses. The Congressman voted for an amendment that expands the number of small businesses able to purchase insurance through the exchange, which will increase the number of employers able to benefit by the reduced premiums brought about by this program. Under the amendment, employers with fewer than 15 employees in the first year of the exchange, 25 in the second year, and 50 in the third year would be able to purchase insurance through the exchange. Additionally, Small employers, those with less \$250,000 in payroll would be exempt from the employer mandate. The mandate is phased in up to \$400,000 in payroll. While the small business exemption is an important component of the bill, Congressman Sestak believes it does not go far enough to address the cost for small businesses. Though the Congressman was limited in this hearing by debate on his committee’s jurisdiction to amend the amount of this exemption, the Congressman intends to submit an amendment on the floor of the House that raises the minimum exemption to \$500,000.

In addition, AAHCA implements a number of market reforms and consumer protections that will ensure individuals receive the care to which they are entitled. It:  
establishes a broad minimum set of essential benefits that must be covered by insurers, such as hospital care, preventative services and vaccinations, mental health services or Maternity Care,  
requires insurers to reduce co-payments for preventative care and limits total out of pocket costs for individuals,  
prevents insurers from denying or limiting care because of pre-existing conditions,  
establishes standard forms for enrolling into insurance plans and presenting information on the price of the plan and associated fees.

While complete cost estimates have yet to be released, the coverage provisions included in the bill will cost approximately \$1.052 trillion dollars over the next ten years; presently, the Congressional Budget Office reports savings in the AACHA in excess of \$550 billion dollars. The House has committed to having a deficit neutral plan over ten years, and while the precise details of new revenue provisions are still being discussed to close the gap, the House remains committed to finding the Revenue to ensure we meet this goal, which Congressman Sestak continues to support. Specifically, Congressman Sestak supports the revenue sources included in President Obama's initial budget proposal, which would have lowered the highest rate of itemized tax deductions to 28%. While this will ensure that the bill will be deficit neutral in the first ten years – which Congressman Sestak strongly supports – he believes it does not go far enough to implement the sorts of cost controls necessary to bend the spending curve in the long run with important changes in Medicare, e.g. transitioning to improved preventive care and early diagnoses, and away from fee-for-service reimbursement.

"I am most supportive of further efforts to restrict this long term cost growth," said Congressman Sestak, "but also believe that the initial steps taken currently in this legislation lay the groundwork to better address costs in the long term, while increasing coverage and addressing costs in the short term."

In addition to Insurance Market Reforms, the bill makes many improvements including eliminating the Medicare Prescription Drug donut hole and co-payments for preventative care. It also implements pilot programs aimed at reducing cost by incentivizing quality and not quantity of care, such as Accountable Care Organizations and Medical Home Models. These programs, which encourage physicians to take on more responsibility for patient care, reimburse doctors based on the quality of the care they provide and not quantity of services they deliver. The bill also invests significantly in the health care workforce, making primary care a more attractive option for new physicians and authorizing more funding for training of doctors and other medical professionals.

Congressman Sestak voted for an amendment to allow unemployed individuals currently receiving COBRA insurance to continue receiving that coverage until either they start receiving insurance from their employer or are able to enter the newly created health insurance exchange. This will provide much needed relief to individuals who find themselves out of a job during this current recession. The Committee also accepted an amendment introduced by the Congressman Sestak that strengthened the presence of educated patients and consumer advocates in the administration of the Health Insurance Exchange.

*Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.*